Enacted Bill Summaries 2013

Local Government Finance

2013 Omnibus Tax Act: (Laws 2013 Chapter 143) HF 677.

Signed 5/13/13

The Act authorizes increases in the individual, corporate, sales and tobacco taxes. As a result of the tax increases the state estimates that it will generate approximately \$2.1 billion in new revenue during the FY 2014/2015 biennium.

The income tax rate has been amended so that the top 2% of income earners will pay a rate of 9.885% on incomes over \$250,000 for married couples. The same rate will apply to the portion of income over \$150,200 and \$200,000 for single earners and heads of households respectively. The changes are estimated to generate \$1.1 billion in revenue. A person filing as "married separate" would be subject to the new rate for income over \$125,000.

Changes to the corporate income tax are expected raise \$424.0 million. The sales tax will be extended to numerous digital products, warehousing and storage and telecommunications capital equipment. The law also exempts cities and counties from the sales tax. The exemption is effective January 1, 2014.

Tax Law Provisions that are a Priority, Supported By or Impact the City.

Local Government Aid (LGA). The LGA distribution formula is usually revised approximately every ten years. The 2013 legislature approved a new "needs" formula that will result in a larger portion of LGA being distributed to older suburban communities while providing aid increases to most cities throughout the state. The legislature increased the appropriation for calendar year 2014 LGA payments by \$80.0 million or 18.7 % over the 2013 amount. In 2015 and 2016 the appropriation will increase by \$2.5 million each year. In subsequent years the appropriation is not scheduled to increase.

The City of Minneapolis' 2014 LGA is estimated by House research to be \$76,065,485 or 18.6% greater than 2013. The certified amount of 2014 LGA will be announced by the Commissioner of Revenue on August 1.

Cities and Counties Exempt from the Sales Tax. Effective January 1, 2014, cities and counties will be exempted from the state sales tax. While the Minnesota Department of Revenue has not issued guidance on the implementation of the exemption, it is probable that the sales tax exemption for cities and counties will be modeled after the township exemption that was granted in 2010. The League of Minnesota Cities has published the following description of the exemption which is similar to the township exemption:

• Includes most taxable purchases but does not include purchases of goods or services generally provided by a private business which are defined as goods or services including but not limited to those "provided by liquor stores, gas and electric utilities, golf courses, marinas, health and fitness centers, campgrounds, cafes, and Laundromats.

The legislature viewed LGA and the sales tax exemption as resources to restrain growth in property tax levies. To ensure that local governments addressed property tax levies the legislature required a property tax "saving report "and imposed a one year (levies payable in 2014) levy limit.

Property Tax Savings Report. For the 2014 Truth in Taxation process, cities and counties having a population of at least 500 people must submit by September 15 to the county auditor the amount of sales and use tax paid, or was estimated to be paid in 2012. The sales tax information for all of the cities in the county must be included in the mailed Truth in Taxation hearing.

At the Truth in Taxation public hearing, the city must discuss the estimated savings realized to its budget that resulted from the sales tax exemption and how those savings will be used for property tax levy reductions, fee reductions and other purposes as deemed appropriate. City staff is developing the 2012 estimate as well as the expected 2014 sales tax "savings."

Levy Limits. Cities with a population greater than 2,500 are subject to levy limits for 2014. The limit is intended to be for 2014 only and is not the current levy limit law. The 2014 levy limit cannot be lower than the greater of a city's 2011 or 2012 certified levy of its certified net tax capacity levies. The 2014 levy limit does exclude debt service from the levy limit.

Individual Property Tax Relief. Renter's Credit. The renter's credit is amended to provide additional relief to renters whose income is less than \$57,170. The maximum refund is increased from \$1,620 to \$2,000. The changes become effective for rent paid in 2013.

Homeowner Property Tax Refund. Commonly known as the "circuit breaker" the refund has been renamed the homestead credit refund. The refund has been amended similarly to the renter's credit. In addition, the homestead credit refund has been amended to require that the Commissioner of Revenue undertake a one-time effort in 2014 to notify homeowners who may be eligible for a homestead credit refund of \$1,000 or more. The notification provision is effective for taxes payable in 2014 and the notifications must be sent to potential recipients by August 1, 2014.

The notification effort must be reported to the legislature by March 15, 2015, with a preliminary report and a final report by February 15, 2016. The reports are to include information on:

- The count and dollar amount of homestead credit refund claims anticipated prior the notification.
- The number of notifications issued by county.
- The count and dollar amount of claims, with preliminary information provided in the 2015 report, and final information in the 2016 report; and
- Information on any other outreach efforts conducted by the department.

Library Debt Service Tax Relief. The city of Minneapolis was authorized by referendum in 2000 to issue up to \$140.0 million in bonds to improve community libraries and construct a new central library. Although the Minneapolis library system merged with the Hennepin County system, the city of Minneapolis is still responsible for the library debt service. The remaining debt principal totals \$96.0 million. The legislature approved a provision that has the state of Minnesota paying 40% of the remaining annual debt service. The payments begin for debt service due in 2017 and the payments will be made in November of the preceding year.

Class 4d Property. Beginning with assessment year 2014, the class 4d real property class will be two tiers. The following table illustrates the new tiers for assessment year 2014.

Tier	Rate
Up to \$100,000 Market Value	0.75%
Value over \$100,000	0.25

In years after 2014, the first tier limit is adjusted by the average statewide change in estimated market value of property classified as class 4a (four-plexus or more) and 4d for the previous assessment year. The limit may not be less than \$100,000.

To assess the impact of the new 4d classification structure, the Commissioners of revenue and housing are required to report to the legislature by January 31, 2015, on the implementation of the second tier. The report must include the:

- Number of 4d properties subject to the second tier for taxes payable in 2015.
- The tax impact of the tier; and
- The characteristics of the properties to which the second tier applies such as location,
 - Building type, and number of units.

The law also provided that a 4d property located in a tax increment financing district meeting certain criteria can receive expedited TIF payments by having the original tax capacity converted to captured tax capacity. As a result the TIF district debt would be retired several years prior to the scheduled district termination.

Hennepin County Environmental Response Fund. The fund which receives revenue from an additional charge on mortgage and deed registrations in the county expired at the end of 2012. The fund and the revenue source were extended from July 1, 2013, to January 1, 2028.

The Ramsey County program was also extended to January 1, 2028.

Special Service and Housing Improvement Districts. The authority to establish new special service or housing improvement districts was scheduled to expire on June 30, 2013. The authority was extended for both types of districts to June 30, 2028.

Target Center/Xcel Center Study. The Commissioner of the Minnesota Department of Administration in consultation with the cities of Minneapolis and St. Paul is directed to engage an independent consultant to study the impacts of joint governance and marketing of the two

facilities. The cities are to report to legislature by February 1, 2014, on the study. The state of Minnesota will pay for up to 50% of the study but not more than \$50,000. The provision was effective the day after the law was signed.

Target Center Property Tax Exemption and Manager at Risk. The Target Center will have a statutory property tax exemption as of January 1, 2014. The exemption however requires local approval by the city of Minneapolis.

The city may also retain a manager at risk to do the proposed renovations of the Target Center. The provision also requires local approval.

Capital Equipment Purchases: Sales Tax Exemption. Under current law a purchaser of capital equipment must pay the sales tax and may apply for a sales tax refund. Purchases and sales made after August 31, 2014, would be exempt from the sales tax and therefore will not need to pay the tax and apply for a refund.

Tax Increment Financing: General Law Amendments. In addition to the 4d related amendment noted in the Class 4d property paragraph, the general law TIF provisions were amended as follows:

- The provisions of the economic development district (MS 469.176 subd. 4c) relating to TIF use to stimulate jobs and construction during the recession were deleted.
- The provisions of the section (MS469.176 subd. 4g) related to the use of TIF for historic structure was deleted.
- The four year rule for districts certified on or after January 1, 2005, and before April 20, 2009, had been extended for six years. Chapter 143 extends the six year provision to December 31, 2016, for districts certified during the specified timeframe.
- The 2013 legislature reestablished the general education levy. The TIF law was amended to specify that the education levy not be considered TIF.
- A new subdivision was added to the law (MS 469.177) that provides adjustments to the original net tax capacity of a district that has been impacted by the homestead market value exclusion.

Property Tax Exemption: Tribal Owned Property. Property owned by a federally recognized Indian tribe located in a city with a population of 300,000 or more would be tax exempt if the following conditions are met:

- The property was classified as 3a property for taxes payable in 2013.
- The property was used exclusively for tribal purposes or institutions of purely public charity.

The property cannot be more than two contiguous parcels that do not exceed in the aggregate 20,000 square feet. Property acquired for housing, forestry or agriculture does not qualify for the property exemption. The exemption expires with taxes payable in 2024.

Tax Exempt Bond Allocations. A provision included in the economic development article of the tax law, directs the commissioner of management and budget not to deduct bond authority from an entitlement issuer if it did not use all of its allocation by December 31, 2012. The city of Minneapolis is an entitlement issuer. It is estimated that the provision preserved approximately \$18.0 million of the city's bonding allocation.

Value Capture. The city of Minneapolis was authorized to establish a value capture district to assist in the financing of a street car line. The district would be approved by the city and the added taxes generated by development on properties identified in the law and expected to develop within the short term would be used to finance the costs of the street car line. The district expires in either the lesser of 25 years from the date of certification or when the bonds backed by the revenues of the district are paid or deceased.

Stadium Backup Funding. The legislature appropriated \$20.0 million annually as part of the state's financial contribution for the stadium. The appropriation is in addition to the electronic gaming approved by the 2012 legislature. The annual appropriation would be from the proceeds of the corporate income tax. The provisions are effective the day after final enactment.

Historic Tax Credits. The tax program has been extended from its scheduled sunset date of the end of fiscal year 2015 to the end of fiscal year 2021. The sunset dates related to issuance of credits and reporting were also extended by six years to 2022 and 2025 respectively.

Application fees have also been modified. Current law allows a fee of up to \$5,000 be charged to the applicant. The fee structure has been changed to be up to 0.5% of qualified rehabilitation expenditures up to \$40,000.

During the session there were proposals to cap the amount of credits available but they were not included in the final law.

Capital Bonding

Bonding Bill (Chapter 136 – H.F. 1070)

Signed 5/24/13

\$176 million capital investment bill. Larger \$850 million bill failed to pass the House. Bill includes:

- \$109 million for Capitol renovation and restoration;
- \$22.6 million for a new Capitol complex parking facility;
- \$20 million to the Department of Natural Resources for the state share of flood hazard mitigation grants to identified cities, counties, and townships for approved projects;
- \$18.9 million for the Minneapolis Veterans Home repair and reconstruction;
- \$8 million to the Public Facilities Authority (PFA) to match federal clean water and drinking water revolving loan funds.

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The bill also included language authorizing the \$3.5 million bonding appropriation for the Granary Road project to continue until 2015.

Public Safety

Omnibus Public Safety Finance (Chapter 86 – S.F. 671)

Signed 5/23/2013

The final legislative appropriations for the Department of Corrections (DOC), the courts, public defenders, the Department of Human Rights, some parts of the Department of Public Safety (DPS) largely matched the Governor's original proposal, with a few small exceptions.

Key appropriations include:

- Office of Justice Programs (OJP)
 - \$3 million increase for victims services grants;
 - \$2 million for Youth Intervention Programs grants;
 - \$700,000 for law enforcement training related to sex trafficking; and
 - o \$100,000 for the Juvenile Detention Alternatives Initiative.
- Specialty Courts
 - \$1.75 million to the State Court Administrator to develop, expand, and maintain specialty courts.
- Probation Funding
 - \$2.05 million increase in pass-through funds to Community Corrections Act
 (CCA) county probation offices, including Hennepin County.
- Court Technology
 - Additional \$2.00 will be added to existing fees for several court filings. This
 additional revenue, about \$1.6 million for the biennium, will be used to
 establish a grant program to help fund court related technology projects.
 The Minneapolis City Attorney's Office will be eligible to apply for these
 funds.
- Public Defender Funding
 - \$3.8 million for retention and new hiring of public defenders in order to reduce caseloads.
- New Data System for BCA and Sentencing Guidelines
 - Funding to replace the Bureau of Criminal Apprehension's (BCA) criminal history system, criminal reporting system, and the Sentencing Guidelines Commission's Electronic Sentencing worksheet.
- \$800,000 for Safe Harbors law enforcement training.

Reducing Gun Violence

(Chapter 86 – S.F. 671, Omnibus Public Safety Finance) Signed 5/23/2013

Though the session began with a far more ambitious gun-related legislative agenda, most items failed to garner enough support in the House to pass. Bills seeking to expand the background check system, hold straw purchases more accountable, close the "gun show loophole," and attempts to expand the list of offenders prohibited from possessing a firearm failed to pass out

of the House committee, and did not receive a Senate floor vote. In the end, a scaled back bill was passed that includes:

- Shortening the amount of time law enforcement and courts have to submit data
 on felons or other people ineligible to possess firearms to the state Bureau of
 Criminal Apprehension and the National Instant Criminal Background Check
 System. Police chiefs and county sheriffs across the state use such information
 when they consider applications for permits to purchase or to carry firearms.
- Requiring the state courts system to add the names of people authorities have indefinitely detained, or civilly committed, for mental illness. The law would update 20 years of records, to when the federal government created the background check system.

Scrap and Auto Theft Prevention Act (Chapter 126- H.F. 1214) Signed 5/24/2013

Along with partners in law enforcement, the City of Minneapolis has long supported increased regulation of the scrap and auto recycling industries as an effective way to identify stolen property and vehicles and return them to their rightful owners. The Scrap and Auto Theft Prevention Act of 2013 creates a strong framework for both law enforcement and the scarp and auto recycling industry to work together to reduce such crimes. The new law:

- Requires sellers to prove ownership of a vehicle by providing a title or other documentation in order to scrap or recycle a vehicle.
- Enhances purchase record requirements, investigative hold provisions, and retention periods for information and images to assist in investigation and prosecution.
- Requires scrap vehicle operators and scrap metal dealers to record information into the Automatic Property System beginning in January, 2015. This will enable law enforcement to identify vehicle and scrap metal thieves and potentially recover stolen property.
- Directs the MPD to facilitate a stakeholders group to design a new version of APS
 that will work for the industry and integrate into their existing systems, with the
 goal of reducing the number of places the industry must report to and streamlining
 their process.

Sex trafficking offenses facilitation money forfeiture (Chapter 80-S.F 346) Signed 5/20/2013 All personal property is subject to forfeiture if it was used or intended for use to commit or facilitate the commission of a designated offense. All money and other property, real and personal, that represent proceeds of a designated offense, and all contraband property, are subject to forfeiture.

Omnibus Data Practices Bill (Chapter 82 – S.F. 745)

Signed 5/23/13

The bill included several provisions important to the City of Minneapolis. Email addresses and phone numbers submitted to cities by individuals will now be classified as private data if they were submitted in order to receive notification or information of a general nature from the city. The bill was amended to include language recommended by the Information and Policy Analysis Division (IPAD), the state agency charged with administering data practices. The private classification will apply to email addresses and phone numbers when received by a government entity for "notification purposes or as part of a subscription list for an entity's electronic periodic publications" such as contact information used to send newsletters, crime data, agendas, and meeting minutes, or other similar information sent by cities and state agencies to citizens who request such updates from their government.

Similarly, the bill also adds mailing address, email or other digital addresses, internet communication services accounts information or similar accounts information, and GPS locations to the existing list of items classified as private as "security information." This change was sought by the City of Minneapolis and our Crime Prevention Specialist as a way to better ensure the privacy of those residents participating in city crime prevention programs. Finally, the bill also clarifies that the term, "public official" as used in the statute governing personnel data includes managers, chiefs, heads or directors of departments, divisions, bureaus, or boards, and any equivalent position. The City of Minneapolis supported this clarification, ensuring the statute applied to the City's governing structure.

Pension Sustainability

Omnibus Pension Bill (Laws 2013 Chapter 111)

Signed 5/23/2013

The Omnibus Pension bill amends statutes governing the state employees, teachers and local government employees pension funds. Local volunteer fire funds and individual member situations are also addressed in the law.

The city will be impacted by amendments to the Minnesota Public Employees Retirement Association (PERA). Among the PERA changes are the elimination of the Pre-Age 62 temporary increase, a provision for unmarried couples covered by a survivor option pension to rescind that decision, and measures to improve funding for the PERA Police and Fire Plan. The most impactful change upon the city will be the Police and Fire amendments.

The Pre-Age 62 temporary increase was established in 1957 and provided a temporary monthly benefit increase up to age 62. At age 62 a permanent benefit decrease begins. Due to inflation which has eroded the value of the temporary benefit and its limited use the provision has been repealed.

The Police and Fire Plan has been amended to do the following:

- Increase active members' contribution by 1.2% of salary. The increase will be phased in over two years. In 2014 the current contribution rate would increase from 9.6% to 10.2%. In 2015 the rate would rise to 10.8%. (Police and Fire Plan members do not contribute to Social Security).
- Increase employer (city) contribution rates by 1.8% over two years beginning in 2014. Employer contributions would increase by 0.9% in 2014 and 2015 so that by 2016 the employer contribution would be 16.2% of salary as compared to the current rate of 14.4%.
- Change the early retirement reduction factor from 1.2% per year (2.4% for post-June 207 members) to 5% per year. The reduction factor will be phased in starting in 2014 and be completed in 2019.
- Limit annual benefit increases to 1% until the plan is funded at 90% for two consecutive years.
- Delay the first retirement increase to new retirees for three years beginning July 1,
 2014. Current law has a one year delay.
- For members first enrolled in the Police and Fire Plan after June 30, 2014, the two following provisions apply:
 - Initial retirements are capped at 99% of average salary. (Equivalent to 33 years of service).
 - Vesting is increased to 50% after ten years of service and increases 5% in each subsequent year so that full vesting occurs after 20 years of service.

To aid in paying for the increased pension costs, the 2013 omnibus tax bill appropriated from the general fund \$9.0 million annually to the PERA Police and Fire Plan. In addition \$1.0 million and \$5.0 million were appropriated from the general fund to the State Patrol Plan and volunteer firefighter retirement plans respectively. The PERA Police and Fire Plan and the State Patrol Plan will continue until the plans are 90% funded.

Transportation

Omnibus Transportation Policy Bill (Chapter 127- S.F. 1270)

Signed 5/24/2013

Included in the bill are provisions clarifying state statute to provide further protections for bicyclists. Passing on the right using a bicycle lane is prohibited and motorists crossing a bicycle lane to make a turn are required to yield the right-of-way to approaching bicycles. Parking, standing, or stopping a vehicle in a bicycle lane is now explicitly prohibited by law.

Omnibus Transportation Finance Bill (Chapter 117 –S.F. 1444) Signed 5/23/2013

"Lights on plus" – Sen. Scott Dibble Maintains the status quo in statewide transportation funding, with minimal increased investment. Not included were increases to the gas tax or metro sales tax.

The Metropolitan Council is appropriated from the general fund \$107.9 million in 2014 and \$77 million in 2015, \$37 million of the 2014 appropriation is one-time money for continued development of Southwest Corridor LRT.

MnDOT is authorized to issue \$300 million in bonds to fund the Corridors of Commerce program (construction and improvements to the trunk highway system). Authority to impose a county wheelage tax of \$10 per vehicle is extended to non-metro counties. MnDOT and DEED commissioners are to establish and implement a transportation economic development program, providing financial assistance on a geographically balanced basis through competitive grants for projects in all modes of transportation that provide measurable local, regional or statewide economic benefit. "Made in Minnesota" solar installations are required on all future MnDOT projects using solar technology, when possible.

Permissive language allows the Metropolitan Council to partner and contract for services with local community-based organizations to promote community engagement activities along transit way project corridors. The community-based organizations may include those representatives of low-income people, people of color, people with disabilities, and other cultural constituencies. The lead transportation authority on transit and transportation infrastructure projects and improvements is encouraged to make every effort to employ women and members of minority communities. The lead authority is also encouraged to make every effort to contract with women-owned and minority-owned small businesses.

<u>Affordable Housing and Homelessness Prevention</u>

Omnibus Jobs and Economic Development Bill (Chapter 85 – H.F. 729) Signed5/23/13 Invested additional \$25.4 million increase over 2012-2013 base funding to MHFA. \$21.2m + \$3m one-time flood funds + \$890,000 housing grants to Open Access, Home line and East African Women's Organization.

- Increases to programs:
 - Family Homeless Prevention Assistance Fund (FHPAP) \$2.1 Million
 - Challenge Fund \$11.9 million
 - Housing Trust Fund \$3.8 million
 - Rental Assistance for mentally ill (Bridges) \$400,000
 - Preservation (PARIF) (\$6.2 million)
 - Rental Rehab Loans \$2.5 million
 - Housing Rehab Loans-Single Family \$5.5 million
 - Homebuyer Education (HECAT) \$200,000
 - Capacity Building \$500,000
 - Homeowner Assistance Fund \$100,000

Homeowners Bill of Rights (Chapter 115 – S.F. 1276)

Signed 5/24/2013

This legislation requires Loan servicers to: Communicate all options to homeowners, and offer loan modifications to all eligible homeowners. Bans "dual-tracking" preventing servicers from foreclosing without a clear yes or no on loan modifications and requires servicers to assist homeowners in submitting documentation regarding the foreclosure process. Allows

homeowners to take the servicer to court to stop foreclosure in the servicer fails to comply with any aspect of the law (private right of action). Lawyer's fees and court costs would be covered should the homeowner prove their case.

Veteran Housing

Government Operations & Veterans Affairs Funding \$1.5M for a grant to the Minnesota Assistance Council for Veterans to provide assistance throughout Minnesota to veterans and their families who are homeless or in danger of homelessness, including assistance with the following utilities; employment; and legal issues.

Municipal Governance

Omnibus Liquor Bill (Chapter 42-S.F 541)

Signed 5/7/13

The omnibus liquor bill included two provisions for the City of Minneapolis approval to include authorizing a license for the sale of off-sale sake produced and packaged on the licenses premises, to be sold at exclusive liquor stores during the legal hours for off-sale liquor. The second provision authorizes a holder of an on-sale wine and 3.2 percent malt liquor to sell intoxicating malt liquors at on-sale without an additional license.

Park Dedication Fee

The Minneapolis City Council and Minneapolis Park board may jointly charge a park dedication fee in conjunction with the construction permit required for new housing units and new commercial and industrial development in the City. The cash fee may be set at a flat fee rate per net new residential unit.

City Livability

Omnibus Health and Human Services Finance Bill (Chapter 108 – H.F. 1233) Signed5/23/13 The original budget targets provided to the House and Senate HHS finance divisions in March were sharp, requiring a cut of \$150 million in the House, and \$153 million in the Senate. The final conference committee was allowed an additional \$100 million in spending, leaving them with a \$50 million budget deficit to resolve. The final bill changes the timing of existing surcharge payments from hospitals and health plans to the Department of Human Services to generate an additional \$76 million in one-time revenue for the next biennium.

Key appropriations include:

- \$35 million for the Statewide Health Improvement Program (SHIP) to return the program to its full capacity to prevent chronic disease statewide.
- No change to base funding for Local Public Health Grants (LPHG) Funding continues at \$41.4 million for the biennium, of which the City of Minneapolis receives \$9.4 million.
- \$ 2 million to develop and provide housing and shelter to prevent and address the sexual exploitation of youth.
- \$200,000 to support Minnesota Department of Health lead surveillance efforts.

- \$7.2 million in provisions to reduce homelessness, including:
 - \$4 million to the Homeless Youth Act for grant funding to organizations to provide street and community outreach, drop-in programs, emergency shelter programs, and supportive housing and transitional living programs;
 - \$2 million for long-term homeless support services;
 - \$500,000 for transitional housing programs;
 - \$500,000 for emergency services grants for homeless individuals; and
 - \$200,000 in FY14 for homeless outreach grants (public safety funding).

Several significant health and human services-related policy changes were also implemented:

Health Insurance Exchange (MNSure) (Chapter 9 – H.F. 5)

Signed 3/20/2013

The legislature created a Minnesota-designed health insurance exchange, consistent with federal requirements of the Affordable Care Act. The exchange will be an online "marketplace" where consumers can shop for health insurance plans. The marketplace will guide consumers through a series of questions to determine whether they qualify for medical assistance, tax exemptions, or other benefits. It will then help them to compare health insurance plans that meet criteria they enter. Minnesota counties will also be able to use the system to determine eligibility for public health care programs. The legislation creates the exchange as a board within state government, outlines the composition and duties of the board, and requirements for health insurance plans within the exchange.

Medical Assistance Expansion (Chapter 1 – H.F. 9)

Signed 2/19/2013

This legislation extends Medical Assistance coverage to more Minnesotans by raising income limits to 133 percent of federal poverty guidelines (FPG). The effective income limit for these groups will be 138 percent of FPG with the standard 5 percent income disregard. The federal government will provide an enhanced federal match for the cost of Medical Assistance services provided to newly eligible persons. This enhanced match is 100 percent for 2014 through 2016, and phases down to 90 percent for 2020 and future years. The federal government will also increase reimbursement for county administrative costs from 50% to 75% for eligibility determination work (for all applicants, not just for the newly eligible population). This administrative increase is not time limited.

Environment and Sustainability

Omnibus Environment & Agriculture Bill (Chapter 52- H.F. 1113)

Signed 5/23/2013

Architectural Paint; Product Stewardship Plan producers must, individually or through a stewardship organization, implement and finance a statewide product stewardship program that manages the architectural paint by reducing the paint's waste generation, promoting its reuse and recycling, and providing for negotiation and execution of agreements to collect, transport, and process the architectural paint for end-of-life recycling and reuse

Energy Bill (Chapter 85- H.F. 729 Articles 7 to 14)

Signed 5/23/13

The omnibus energy bill was incorporated into the omnibus jobs, economic development, housing, commerce, and energy bill. The energy provisions of Chapter 85 are similar to those of the original omnibus energy bill.

Articles 7 to 14 of Chapter 85 are the energy provision which include provisions related to utility regulation, special assessments and energy improvements, distributed generation, solar energy, solar energy device manufacturing (Made in Minnesota), energy policy development, and appropriation to the Minnesota Department of Commerce for energy studies and other tasks required by the law.

Utility Regulation.

Article 7 contains several provisions that allow utilities to recover costs due to infrastructure improvements or work on power plants including pollution control abatement measures. An electric utility having a power plant located in another state was permitted to recover from its Minnesota customers the portion of costs attributable to Minnesota customers.

The Public Utilities Commission (PUC) in consultation with Minnesota Department of Commerce is required to determine a uniform reporting system to ensure that individual utility reports regarding the rate impact of compliance with the state energy standard are consistent and comparable.

Property – Accessed Clean Energy (PACE).

The 2010 Minnesota legislature approved legislation that permitted residential property and commercial-industrial property owners to finance energy improvements to their property through the special assessment process. The special assessment statute (Section 429.101) however limited the financing to the ten years. With the costs of energy improvements and the ten-year limitation, the program has not been used as envisioned. Article 8 of Chapter 85 amends the special assessment law to allow energy improvement s to be financed for up to 20 years. The 2010 energy improvement is amended to define that energy improvements will repay their costs in 20 years or less through the amount of future energy saved.

Distributed Generation.

Article 9 of the law provides the statutory framework for the generation, purchase, and distribution of energy generated by a utility customer and interconnected to the utility's distribution system. The article includes new statutory language that defines such terms as the various types of meters, distributed generation facility, customer and the billing procedures for the selling of and purchase of electric energy by the customer. In addition to definitions it includes limitations on the size of a facility, standby charges, cumulative generation, and individual system capacity.

The cumulative limit is set at 4% of the public utility's annual retail electricity sales and the utility can request the PUC to limit any additional net metering obligations. The PUC may grant the utility's request but it (PUC) must provide for public comment. The PUC in deciding to grant the request must determine that additional net metering obligations would cause significant

rate impact, require significant measures to address reliability, or raise significant technical issues.

The public utility can limit the capacity of a 40 Kilowatts (kwh) or more facility to 120% of the customer's annual electricity consumption.

The public utilities will be required to file with the PUC a tariff to pay solar generators for input to the utility's system on a per-kwh amount which will be calculated based on a methodology developed by the Department of Commerce. The methodology will reflect cost savings to the utility for purchasing electricity from distributed generation facilities. The tariff applies to facilities with a capacity of one megawatt or less.

The tariff must:

- Allow for the recovery of costs to provide utility service to the generators.
- Require a generator to buy all electricity they consume and sell all the electricity they generate to the utility.
- Credits the generator's bill for any net input to the utility.
- Carries the credits forward and eliminates the balance after 12 months.
- Requires at least a 20-year contract.
- Requires the compensation rate to be no lower than the utility's retail rate for a period of three years.

Solar Energy.

Article 10 of Chapter 85 establishes policies for the development of solar energy in Minnesota. Section 1 requires Xcel to operate a program to provide solar energy production incentives for small (20 kwh capacity) solar energy systems. The system must be sized to be less than 120% of the customer's onsite annual energy consumption. Xcel is required to initiate the program in 2014 and operate it for five consecutive calendar years. The program will be funded with an annual allocation of \$5.0 million from the renewable energy account established by section 116.779. The production incentive must be paid for ten years beginning with the commissioning of the system. Xcel must file a plan for the program for review and approval with the Commissioner of Commerce.

By September 30, 2013, Xcel must file with the PUC a plan to operate a community solar garden program. The program is required to begin operations within 90 days after the PUC's approval. However, the legislation does not have a deadline for PUC approval nor does it require other public utilities to develop a program. A plan can be approved, modified or disapproved by the PUC. The legislation provides guidance for plan content. Among the elements are financing, fee structure, marketing, disclosure, implementation schedule, uniform standards, procedures for interconnection, and the process to allow the utility to recover reasonable interconnection costs.

A community garden:

- May be owned by a public utility or any other entity or organization that contracts to sell the output to the public utility.
- Must have a nameplate capacity of no more than 1 megawatt.
- Must be located in the service area of the utility filing the plan.
- Must have its generated energy purchased by the public utility.
- Must be designed to offset the energy use of not less than five subscribers in each solar garden facility.

Section 3 adds a solar energy standard to the existing statutes regarding renewable energy goals and objectives. By 2020 at least 1.5% of a public utility's retail electric sales must be generated by or from solar sources. Of the 1.5% goal at least 10% must be met by small solar (20 kilowatts) facilities using photovoltaic devices. Excluded from the solar standard are electric cooperatives and municipal owned utilities. In calculating a public utility's 1.5% goal, the calculation must exclude sales to mines, paper mills and wood processing facilities.

Made In Minnesota.

To stimulate the solar industry in Minnesota the legislation (Article 11) provides financial incentives for the manufacture of solar systems in Minnesota.

Planning Strategy for Sustainable Energy Future.

The Legislative Commission on Energy is charged (Article 12) to develop a framework to transition the state to a renewable energy economy that ends Minnesota's contribution to greenhouse gases from burning fossil fuels within the next few decades. The goal is to have Minnesota be the first state to use only renewable energy. The Commission is required to report to the energy committees by January 15, 2014, and annually thereafter on the progress of the framework.

The article also adds "energy savings" as a policy goal. The current legislation is amended to state that

"It is the energy policy of the State of Minnesota that: annual energy savings equal to at least 1.5% of annual retail energy sales of electricity and natural gas be achieved through cost-effective energy efficiency."

The article contains several studies that must be conducted by the Department of Commerce or ordered by the PUC. The PUC is required to order all Minnesota electric utilities and transmission companies to conduct an engineering study of the impacts on reliability and costs of, and to study and develop plans for, the reliable transmission network improvements needed to support an energy standard in 2030 of 40% and higher in subsequent years. The study must be completed and submitted to the PUC by November 1, 2014.

The Department of Commerce is directed to conduct four studies. By January 1, 2014, the Commissioner must submit a study regarding the value of onsite energy storage. A study to examine the cost/benefit of installing solar thermal in residential and commercial buildings is

also due to the energy committees by January 1, 2014. Both studies are to be conducted by an independent consultant.

The Department is also charged to work with the Legislative Energy Commission to develop the scope for a Minnesota energy future study on how Minnesota can achieve a sustainable energy system that does not rely on using fossil fuels. The scoping study is due on January 1, 2014.

The Division of Energy Resources will conduct public meetings that are the basis for a report that will address the following:

- 1) clarify statewide energy-savings policies and utility energy-savings goals;
- 2) maximize long-term, cost-effective energy savings and minimize energy waste;
- maximize carbon reductions and economic benefits by increasing the efficiency of all sectors of the state's energy system;
- 4) minimize total utility costs and rate impacts for ratepayers in all sectors;
- 5) determine appropriate funding sources for non-conservation projects and programs, cogeneration, and combined heat and power projects;
- 6) determine the appropriate consideration in the integrated resource planning and certificate of need processes of the requirements to meet the state's energy conservation
 - and renewable energy goals; and
- 7) provide the utility the appropriate incentives to meet the state's energy conservation and renewable energy goals.

The meetings must be publicly noticed by the department and are intended to attract stakeholders and individuals. The report must include findings and legislative recommendations. The report must be submitted to the energy committees by January 15, 2014.

BPA Ban (Chapter 58 - H.F. 45)

Signed 5/13/2013

States that no manufacturer or wholesaler may knowingly sell or offer for sale in MN infant formula, baby food or toddler food stored in a container that contains intentionally added Biphenyl-A (BPA).

Organized Collection Bill (Chapter 45 – S.F. 510)

Signed 5/7/2013

Outlines the process required of cities to implement organized collection of solid waste. Public hearings and establishment of an organized collections options committee are required. Cities organized prior to May 1, 2013 are exempted from the process.

Water (Included in numerous bills see Appendix A)

Jobs and Economic Development

Omnibus Jobs and Economic Development Bill (Chapter 85 – H.F. 729) Signed5/23/13

The legislation provides funding to the Department of Employment and Economic Development (DEED) to administer several key programs. The bill also creates the Minnesota Job Creation Fund, a new program designed to replace the Job Opportunity Business Zones (JOBZ) program, set to expire in 2014. Unlike JOBZ, however, the Job Creation Fund applies to projects in both the metro and non-metro area.

Key appropriations include:

- \$30 million for the Minnesota Investment Fund
 - Provides financing to help add new workers and retain high-quality jobs on a statewide basis. Focus on industrial, manufacturing, and technology-related industries to increase the local and state tax base and improve economic vitality statewide
- \$24 million for the Minnesota Job Creation Fund
 - o Performance-based job creation incentive program.
- \$6 million for the Redevelopment Grant Program
 - Helps communities with the costs of redeveloping blighted industrial, residential, or commercial sites and putting land back into productive use.
- \$10 million for the Minnesota Film and TV Board Jobs Production Fund

Summer Youth Employment

The Omnibus Jobs and Economic Development bill also included funding for the Minnesota Youth Workforce Development Competitive Grant program, which has historically helped the City of Minneapolis fund the summer youth employment Step-Up program. The 2013 legislation left the program at the same funding level as the previous biennium, at \$5.696 million. The grant, administered by DEED, will have a funding cap of \$850,000/year for programs, which is the same cap that existed in the previous round of awards. Applications for this program are due June, 28th 2013 and the City of Minneapolis will again be applying.

Sprinklers

The Senate version of the bill was amended on the floor to include a provision that would prohibit the State Building Code from requiring the installation of fire sprinklers in residential homes. The language was identical to language that was passed by the Legislature in 2011 and 2012. Governor Dayton vetoed the bills both times, and the prohibition was not adopted by the conference committee and therefore, not included in the bill that now heads to the governor.

Ban the Box (Chapter 61 - S.F. 523)

Signed 5/13/2013

The bill prohibits most private employers from asking job applicants about criminal backgrounds until the point of an interview or a provisional job offer. It does not prohibit employers from fully checking out criminal histories of all applicants. The provision currently exists in public employment; the new law extends it to private employers. The new law exempts jobs from which people with felonies are excluded, or services that work with

vulnerable clients, such as nursing homes. It also protects employers from lawsuits based on the law, referring complaints to the state Human Rights.